

FISCAL NOTE

Bill #: HB0589

Title: Revise workforce training laws

Primary Sponsor: Stahl, W

Status: As Amended in House Committee

Sponsor signature	Date	David Ewer, Budget Director	Date
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Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
General Fund	\$37,441	\$13,362
State Special Revenue	\$12,000	\$12,000
Federal Special Revenue	(\$9,898,892)	(\$9,898,892)
Revenue:		
General Fund	\$0	\$0
State Special Revenue	\$12,000	\$12,000
Federal Special Revenue	(\$9,898,892)	(\$9,898,892)
Net Impact on General Fund Balance:	(\$37,441)	(\$13,362)

<input type="checkbox"/> Significant Local Gov. Impact	<input checked="" type="checkbox"/> Technical Concerns
<input type="checkbox"/> Included in the Executive Budget	<input type="checkbox"/> Significant Long-Term Impacts
<input type="checkbox"/> Dedicated Revenue Form Attached	<input checked="" type="checkbox"/> Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

Department of Labor & Industry (DLI)

1. The department assumes “reauthorized prior programs”, referenced in Section 6(3), are those programs that currently exist under the Workforce Investment Act of 1998 (WIA), and which are anticipated to exist following passage of U. S. Congressional WIA reauthorization bills, including veterans, migrant seasonal farm workers, alien certification, and trade adjustment assistance programs.
2. The U.S. House of Representatives action on WIA reauthorization, H.R. 27, is anticipated to be completed by early April 2005. The U.S. Senate version of WIA reauthorization is not currently being acted upon, and any future status is unknown.
3. H.R. 27 combines WIA adult and dislocated worker funding streams with Wagner-Peyser Act funds to form a single funding stream or “block grant.” The resulting plan bears little resemblance to current Wagner-Peyser funded programs. Accordingly, the department assumes current Wagner-Peyser funds would not be considered a “reauthorized prior program”, and thus, would not be excluded under Section 6(3).

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4. Except for those funds necessary to maintain a rapid response function, the department assumes sections 6 and 7 would transfer all U.S. Department of Labor funds it currently receives, related to workforce development programs such as dislocated worker, national emergency grants, and Wagner-Peyser funded programs, to local boards for delivery of services.
5. The department received \$9,898,892 in FY 2004 for programs outlined in assumption 4, above. The department assumes that HB 589 would transfer a substantial portion of the funding it receives for the outlined programs to local boards, but is unable to ascertain the amount.
6. The department assumes one or more of its local offices would qualify as a “one stop operator” as defined by Section 2 (3), but cannot ascertain the number or locale.
7. Based upon assumptions 4, 5, and 6, the department estimates it would close 23 job service workforce centers located in Anaconda, Billings, Bozeman, Cut Bank, Deer Lodge, Dillon, Glasgow, Glendive, Great Falls, Hamilton, Havre, Helena, Kalispell, Lewistown, Libby, Livingston, Miles City, Missoula, Polson, Shelby, Sidney, Thompson Falls and Wolf Point.
8. The department estimates it would reduce staff by approximately 148 local office and central office FTE, reducing total expenditures by approximately \$9,898,892, of which \$5,833,024 is for personal services, \$2,122,163 is for operational expenditures (rent, telephone, computers, etc.), and \$1,943,705 is for payments to program participants, in each year of the 2007 biennium.
9. The department would provide one-stop provider access to the MISTICS system (which contains unemployment insurance wage and benefits data) via CITRIX connections (non-state network) to obtain employer and employee wage data. The assumed loss of local job service office end users should offset the gain of approximately 200 “new” one-stop system operator end users. However, if a net gain in users is realized, or if more than 50 users access the system simultaneously, additional costs, such as the need for an added server, could result.
10. The department estimates it would cost \$13,800 for initial computer programming and development for reporting, security, and audit trails in FY 2006 (200 hours X \$69 per hour).
11. The department would require 0.75 FTE (grade 14) in FY 2006 and 0.50 FTE (grade 14) in FY 2007 to set up and maintain information sharing agreements, maintain and monitor security identification logs, establish hook-up requirements for service providers, and audit and maintain system security. The cost in FY 2006 is estimated at \$35,641, and \$25,362 in FY 2007.
12. The department currently charges \$5 per user per month for system access. Assuming this charge remains unchanged, the department estimates it would receive \$12,000 annually (200 users x \$5 x 12 months).
13. Federal unemployment insurance administration funds cannot be used to pay for the costs associated with information sharing between the state and the service providers as contemplated by HB 589. As a result, the department assumes funding of expenditures outlined in assumptions 10, 11, and 12, in excess of user fee revenues, will be provided using general fund.

FISCAL IMPACT:

	FY 2006 <u>Difference</u>	FY 2007 <u>Difference</u>
FTE (Reduction)	(148.00)	(148)
(New)	<u>0.75</u>	<u>0.50</u>
FTE (Net)	(147.25)	(147.50)

Expenditures:

Personal Services (Reduction)	(\$5,833,024)	(\$5,833,024)
Personal Services (New)	\$35,641	\$25,362
Operating Expenses (Reduction)	(\$2,122,163)	(\$2,122,163)

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Operating Expenses (New)	\$13,800	\$0
Benefits (payments to grants participants)	<u>(\$1,943,705)</u>	<u>(\$1,943,705)</u>
TOTAL	(\$9,849,451)	(\$9,873,530)

Funding of Expenditures:

General Fund	\$37,441	\$13,362
State Special Revenue	\$12,000	\$12,000
Federal Special Revenue (Reduction)	<u>(\$9,898,892)</u>	<u>(\$9,898,892)</u>
TOTAL	(\$9,849,451)	(\$9,873,530)

Revenues:

General Fund	\$0	\$0
State Special Revenue (User fees)	\$12,000	\$12,000
Federal Special Revenue (Reduction)	(\$9,849,451)	(\$9,873,530)

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	(\$37,441)	(\$13,362)
State Special Revenue (02)	\$0	\$0
Federal Special Revenue (03)	\$0	\$0

TECHNICAL NOTES:

1. To the extent it seeks to transfer State Workforce Investment Board duties to local boards, HB 589 conflicts with the following sections of the Workforce Investment Act: 29 U.S.C. Section 2821, 2822, 2853(b)(3), and 2871. HB 589 also conflicts with 20 C.F.R. Section 661.205, and 29 U.S.C. 49f (b), Wagner-Peyser Act.
2. Section 4 conflicts with 29 U.S. C. 2831(a)(1)(A), which specifies the Governor, rather than the legislature, to designate local workforce areas.
3. Sections 5(5)(b)(iii), (6), and Section 7 (3) conflict with 29 U.S.C. 2831(f) and 20 C.F.R. 661.310, which prohibit local boards from directly providing services without the Governor's express approval through granting a waiver.
4. The amendments in section 5(6) more properly should refer to section 117(f)(2), rather than 117(f).
5. Section 6 is in conflict with 29 U.S.C. 2864, which grants the Governor the authority to reserve WIA funds for training and rapid response activities.
6. Section 6 (3) would require other agencies that receive federal funding from the U.S. Department of Labor related to workforce development, including, but not limited to, Office of Public Instruction and Higher Education, to coordinate funding and program administration with the local boards.
7. Language contained in Sections 9(3) and (4) is more restrictive than the portions of the Wagner-Peyser Act, 29 U.S.C. 49b, and 49f, it purports to implement. The sections could be interpreted to remove the Governor's authority to manage programs.
8. Section 9 (5) may be in conflict with Title V, Public Law 107-347, Confidential Information Protection and Statistical Efficiency Act of 2002 (CIPSEA), which requires a pledge of confidentiality for information acquired by the Bureau of Labor Statistics.